City of Portland Office of Management & Finance

THE FINANCIAL OUTLOOK

Accounting Period 12 (May 4, 2006 to May 31, 2006) General Fund Financial Outlook (Issue Date: August 7, 2006)

Estimated Year-End General Fund Resources At AP-12 are forecast to range from \$456.8 million (LOW) to \$461.1 million (HIGH). Council's revised budget remains unchanged compared to period 11 at \$457.7 million. Revised budget, as of May 31, remains at \$18.7 million (4.3%) above the July 1 Adopted Budget. Overall General Fund revenues are up about 6.9 percent versus last year. Both discretionary and non-discretionary revenues are now well ahead of last year. Revenue growth is very strong and, with few exceptions, is very broadly based at this On the discretionary side, the strong revenue growth reflects a regional economy that is generating job (*) And net of intrafund revenues

RESOURCE REC	CAP
* IBIS Budgeted Resources	\$457,696,664
* Resource Range(High)	\$461,119,083
(Low)	\$456,764,158
* Revenues At AP-12(*)	\$372,999,929
Versus Year-AgoUP	6.85%
(*) Net of Short-Term Borrov	ving
NOTEWORTHY AT	AP-12
* Hotel/Motel Up 12.2 % vs. year	-ago
* Property Taxes Up 4.8 % vs. yea	ar-ago

Estimated Year-End Resource Range FY2005-06 General Fund Financial Model

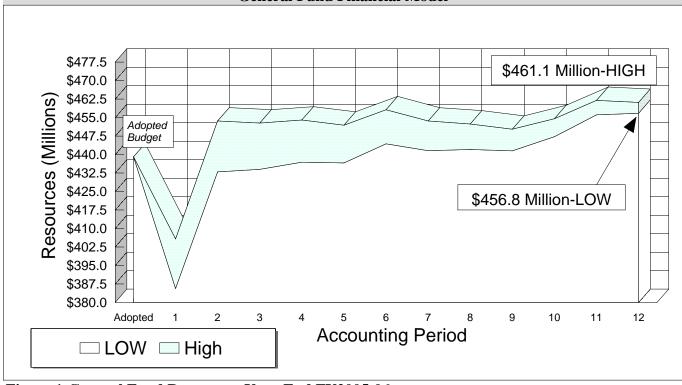


Figure 1-General Fund Resources, Year-End FY2005-06

The Bottom Line: Resources, year-end, are estimated to range from \$456.8 million (Low) to \$461.1 million (High). Budgeted resources are \$457.7 million. Year-end expenditure estimates range from \$425.8 million (Low) to \$430.1 million (High). Forecast year-end balance, beginning FY2006-07 balance, is forecast at somewhere between \$26.6 million (Low) to as much as \$35.3 million (High).

along with a declining unemployment rate. The regional area's May unemployment rate came in at 5.0% versus 5.8% last May, and 9.1% in June of 2003 which was the highest rate registered during the last recession.

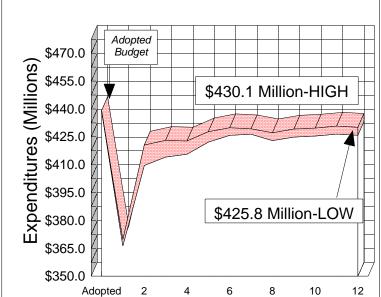
Otherwise, property taxes, transient lodging taxes, and business license revenues all continue to show above average growth as would be expected, given how strong this recovery and expansion has been over the last 12 to 18 months. Property taxes are up almost 4.9% over last year at period 12 while transient lodging taxes and business license revenues are up 12.2% and 20.8% respectively.

EXPENDITURE RI	ECAP
* IBIS Budgeted Expenses	\$457,696,664
* Expense Range(High)	\$430,122,792
*(Low)	\$425,842,963
* Expenses At AP-12(*)	\$377,368,241
Versus Year-AgoUp	9.0%
(*) Net of Short T	Term Borrowing
NOTEWORTHY AT	'AP-12
* Personal Services UP 7.4% vs. yea	ır-ago
* All M&S UP 12% vs. year-ago	_
* Capital Outlays UP 11.6% vs. year	r-ago

tively. The only "fly in the ointment" continues to be utility license and franchise fees, where year-over-revenue growth remains tepid at best, barely registering above zero, despite very strong revenue growth in NW Natural franchise fees. Interest income through period 12 totals \$2.3 million versus only \$1.1 million last year and a total for all of FY2002-03 of only \$648,694.

Bureau fee and miscellaneous revenues continue to present a mixed picture. Parks' main fee revenue category was about 5.3 percent ahead of last year, period 12 versus only 3.5% at period 11. Miscellaneous fee revenues (mostly Planning) are about 22% ahead of last year while the catch-all "other miscellaneous" revenue category remains well behind last year.

General Fund expenditures at AP-12 total about \$377.4 million vs. last year's \$346.1 million. Period 12 expenditures are 9.0% ahead of last year. Growth over previous year expenditures decelerated somewhat during period 12 and dropped out of the "double-digit" range. Personal services



Year-End FY2005-06 Expenditure Range

General Fund Financial Model

Figure 2-General Fund Expenditures, FY2005-06

Accounting Period

expenditure growth slowed to 7.4% above last year at period 12, but remains very strong. The personal services year-end estimate in this forecast is down slightly to about to \$252.1 million.

External materials and services expenditures totaled \$57.3 million as of period 12 compared to about \$51.1 million last May. Expenditures are about 12.1% ahead of last year going into the last 30 days of this fiscal year.

Internal materials and services expenses accelerated into period 12 with the growth rate rising to about 12.1%. Double-digit growth has been characteristic and continues to be the "norm" for this year.

Capital outlays increased another \$500,000 million during period 12, rising to just over \$6 million, with revised budget at \$8.8 million. It is looking less likely that expenditures will come up to budget at audit.

□LOW ■High

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The Estimated Year-End General Fund Balance at AP-12 ranges from \$26.6 (Low) to \$35.3 million (High). The current period 12 OUTLOOK forecast ending balance "point" estimate for the General Fund's FY2005-06 ending balance rises from \$29.2 to \$31.1 million. This represents another notch up from the period 11 estimate. The balance estimate is about \$11.7 million above Council's Adopted Budget beginning balance of \$19.3 million. Spring "BuMP" requirements are estimated at \$2.8 million so that approximately \$2.8 million of this estimated increase is required to fund bureau carryover requirements. A separate analysis suggests that excess bureau fee revenues of \$950,000 will be needed in the

Fall BuMP as required by Council's Revenue Policy. As a precaution another \$500,000 of unknown encumbrances has been assumed as a requirement. This represents a hedge against year-end uncertainties. Deducting these requirements from \$11.7 million leaves just over \$7.6 million of discretionary beginning balance over and above Council's **Ending Fund**.

discretionary beginning balance over and above Council's *Ending Fund Balance Range* Adopted Budget beginning discretionary General Fund balance.

Estimated Year-End General Fund Balance Range FY2005-06 **General Fund Financial Model** \$50.0 Ending Balance (Millions) \$45.0 \$40.0 \$35.3 Million-HIGH \$35.0 \$30.0 \$25.0 \$20.0 \$15.0 \$26.6 Million-LOW \$10.0 \$5.0 \$0.0 Adopted 2 4 6 10 12 8 9 11 Accounting Period □ LOW ■ High

Figure 3-Estimated General Fund Balance, Year-End FY2005-06

Improvement Seen in Commercial Real Estate Market

For the first time in five years, nationwide commercial construction is growing at a faster rate than residential construction, which may in turn, ease the impact of long waited housing slow down. The timing could not have been better, just as the booming housing market is starting to cool, commercial real estate seems to have warmed up after several years of weak growth. But many economists are skeptical that commercial sector can fully offset a slowing housing market. Last year's spending of \$747 billion on housing was more than twice that of commercial spending. Nevertheless, some suggest that rising commercial activity should offset half of the slowdown in housing. While the housing market is mainly driven by mortgage rates, the commercial market is led by job growth. Over the past two years, the economy has generated 4 million net new jobs.

Table 1-General Fund Resources, FY2005-06			
	Through	Estimated	Revised
GENERAL FUND RESOURCE CATEGORY	AP-12	Year-End	Budget
INTERNAL REVENUES 41000			
Service Reimbursements	\$34,062,317	\$38,904,352	\$46,314,705
Other Internal & Transfers-IN	\$28,180,110	\$37,255,201	\$54,244,112
PROPERTY & LODGING TAXES 42100			
Property Taxes	\$152,630,876	\$161,695,664	\$158,678,968
Lodging Taxes	\$13,217,375	\$13,283,870	\$12,092,518
BUSINESS LICENSES, PERMITS 43000			
Business Licenses	\$60,869,336	\$60,684,610	\$44,418,253
Utility License/Franchise	\$47,133,759	\$60,832,116	\$57,612,597
Other Permits	\$2,915,144	\$3,166,649	\$3,425,581
SERVICE CHARGES & FEES 44000	\$12,712,399	\$14,823,645	\$13,790,099
STATE, FEDERAL SOURCES 46000	\$8,423,651	\$11,076,112	\$10,105,896
LOCAL SOURCES (Contracts) 47000	\$12,215,397	\$14,592,639	\$15,434,191
MISC. REVENUES & INTEREST 49400	\$6,007,874	\$6,683,321	\$8,074,499
TAX ANTICIPATION NOTES/Note Sales	\$1,824,000	\$1,824,000	\$0
BEGINNING FUND BALANCE	\$27,597,902	\$27,597,902	\$21,005,245
ENCUMBRANCE & CARRYOVER	\$6,639,374	\$6,639,374	\$12,500,000
GENERAL FUND RESOURCE TOTAL	\$414,429,514	\$459,059,455	\$457,696,664
Estimated Percent Of Budget Resources Realized	90.5%	100.3%	

Table 2-General Fund Expenditures, FY2005-06			
_	Through	Estimated	Revised
GENERAL FUND EXPENDITURES	AP-12	Year-End	Budget
Salaries & Wages	\$164,165,094	\$179,975,504	\$185,072,775
Overtime	\$8,610,849	\$9,753,197	\$8,521,421
Benefits	\$42,597,756	\$45,462,987	\$43,678,479
Premium & Part-Time	\$15,103,084	\$16,926,822	\$16,575,329
TOTAL PERSONAL SERVICES	\$230,476,783	\$252,118,510	\$253,848,004
Estimated Percent Of Budget Spent	90.8%	99.3%	
EXTERNAL MATERIALS & SERVICES	\$57,284,235	\$72,250,865	\$90,751,311
Estimated Percent Of Budget Spent	63.1%	79.6%	
INTERNAL MATERIALS & SERVICES	\$48,919,134	\$55,667,649	\$52,601,440
Estimated Percent Of Budget Spent	93.0%	105.8%	
CAPITAL OUTLAY	\$6,011,703	\$7,330,097	\$8,883,429
Estimated Percent Of Budget Spent	67.7%	82.5%	
CONTINGENCY & UNFORESEEN	\$0	\$650,000	\$11,396,724
FUND CASH TRANSFERS	\$34,676,386	\$39,965,756	\$40,215,756
INVENTORY	\$0	\$0	\$0
GENERAL FUND EXPENSE TOTAL	\$377,368,241	\$427,982,878	\$457,696,664
Estimated Percent Of Budget Spent	82.4%	93.5%	

Table 3-General Fund Expen		y Appropriati	ion Unit, FY2	005-06	
Percent Of Year Gone	92.3%				
Percent Year Left	7.7%	Through	Estimated	Revised	Percent
AU Description	AU#	AP-12	Year-End	Budget	Spent
Police Bureau	100	\$127,993,220	\$141,842,297	\$141,929,960	90.2%
Fire Bureau	124	\$70,248,566	\$79,846,209	\$81,240,368	86.5%
Parks Bureau 1	130 &133	\$42,791,166	\$48,093,976	\$49,319,564	86.8%
Subtotal-Public Safety and F	Parks	\$241,032,952	\$269,782,482	\$272,489,892	88.5%
Commissioner #2 (Sten)	190	\$614,191	NA	\$671,487	91.5%
Commissioner #4 (Leonard)	191	\$566,354	NA	\$730,225	77.6%
Commissioner #3 (Saltzman)	192	\$612,520	NA	\$695,618	88.1%
Commissioner #1 (Adams)	193	\$773,430	NA	\$752,133	102.8%
Office Of The Mayor	195	\$1,864,602	NA	\$2,096,389	88.9%
Operating Contingency	298	\$0	\$650,000	\$9,396,724	NA
Unforeseen Revenues	298	\$0	\$0	\$2,000,000	NA
Other Cash Transfers	299	\$34,611,824	\$39,965,756	\$40,215,756	86.1%
Office of Cable Com	300	\$1,710,067	NA	\$1,824,828	93.7%
P.O.E.M	110	\$8,014,891	NA	\$10,390,406	77.1%
Office-Sus. Develop	302	\$2,007,673	NA	\$3,256,966	61.6%
Government Relations	303	\$668,946	NA	\$750,597	89.1%
Office Of Manag. & Fin	307	\$21,584,802	NA	\$24,988,933	86.4%
Office Of City Attorney	312	\$5,440,010	NA	\$6,143,435	88.5%
Business Licenses	316	\$6,058,652	NA	\$7,923,205	76.5%
Stock Account	325	\$0	NA	\$25,000	0.0%
City Auditor	336	\$6,608,444	NA	\$7,853,056	84.2%
Office Neigh. Involve	342	\$6,311,156	NA	\$7,146,016	88.3%
OMF Citywide Projects	381	\$6,657,746	NA	\$9,253,587	71.9%
OMF Utility Billing	390	\$10,044,807	NA	\$12,943,367	77.6%
Special Appropriations	401	\$6,696,770	NA	\$14,394,998	46.5%
Bureau Of Planning	510	\$5,731,871	NA	\$6,416,678	89.3%
Bureau Com. Develop	540	\$9,872,806	NA	\$15,337,368	64.4%
Subtotal-All Other AUs		\$136,451,562	\$158,297,166	\$185,206,772	73.7%
General Fund Total-All	AUs	\$377,484,514	\$428,079,648	\$457,696,664	82.5%

Table 4-Revenue and Economic Indicators

This table summarizes some basic revenue and economic indicators. The onset of an economic slowdown or financial trouble will be reflected by indicators that climb above the applicable "Concern Level."

	FY2005-06	FY2005-06	
Reserve Fund Usage Condition	3rd Quarter	2nd Quarter	Concern Level
Basic Revenue Growth (*)	7.6%	4.4%	Below 3.0%
Portland Unemployment Rate	5.9%	6.1%	Above 6.5%
Business License Revenue Growth	16.2%	17.1%	Below 5.5%
Property Tax Delinquency Rate	5.5%	5.5%	Above 8.0%

^(*) Basic revenues include property taxes, transient lodgings taxes, business licenses, cigarette and liquor tax distributions, utility license/franchise fees, and interest income revenues, last 12 months compared to year-ago.

Financial Outlook, AP-12

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